

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

February 14, 2013

VSEERS Members present:

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2013)
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2014)
Allen Blake, VRSEA Alternate Representative (term expiring September 1, 2014)
Jeff Briggs, VSEA Representative (term expiring September 1, 2014)
Paul White, Jr., VSEA Representative (term expiring September 1, 2014)
Thomas Hango, VSEA Alternate (term expiring September 1, 2013)
Richard Johannesen, Governor's Delegate (ex-officio)
James Reardon, Commissioner of Finance & Management (ex-officio)
Kate Duffy, Commissioner of Human Resources (ex-officio)
Elizabeth Pearce, VT State Treasurer

Members absent:

None

Also attending:

Matthew Considine, Director of Investments
Katie Green, Investments Manager
Karl Kroner, Chip Sanville, and Valerie Baker (via telephone), Great West Retirement Services
JP Isabelle, Executive Assistant to the Treasurer
Laurie Lanphear, Director of Retirement Operations
Nancy Dimick, Secretary to the Board
Monica Chiren, Assistant to Nancy Dimick

The Chairperson, Kevin Gaffney, called the Thursday, February 14, 2013, meeting to order at 9:02 a.m., which was held in the Treasurer's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

ITEM 1: Approve the Minutes of:

- **January 10, 2013 – regular meeting**
- **January 10, 2013 - special meeting**

On motion by Mr. Briggs, seconded by Mr. Johannesen, the Board voted unanimously to approve the minutes of January 10, 2013 regular meeting, as submitted.

On motion by Mr. Johannesen, seconded by Mr. Briggs, the Board voted unanimously to approve the minutes of January 10, 2013 special meeting, as submitted.

ITEM 2: State of Vermont 457 Deferred Compensation Plan

- **Quarterly review for period ending December 31, 2012**
- **Discussion with Advised Asset Group (AAG) – via telephone**
- **Discuss T. Rowe Price 2050 Target Date Fund**

- **Auto enrollment**
- **Focus on 457 Newsletter**

Mr. Kroner appeared before the Board and provided the Quarterly Report for December 31, 2012 for the 457 Deferred Compensation Plan. Mr. Kroner provided the plan overview. Mr. Kroner indicated there was an increase in the total assets of 2.0% from October 1, 2012 to December 31, 2012. There was a discussion about the Stable Value Fund and target date funds. There was a discussion about the Roth feature. There was a discussion about contributions and the breakdown of assets by asset class. There was a discussion about the new Great West website and how members can now receive projections for the future. Mr. Gaffney had a question about the website and a link which seemed to take you to a different website. Mr. Kroner indicated if he provides him the information he will look into it, but that it sounded like it might be a link to AAG (Advised Asset Group).

There was a discussion about auto enrollment and ways to find out why active members are not currently participating in the Deferred Compensation Plan. Mr. Kroner indicated marketing strategies they can use.

There was a discussion concerning the internet usage and the managed accounts. Mr. Kroner reviewed with the Board members Great West's current ratings. In response to Mr. Dumas' question Mr. Kroner indicated he will inquire of Orchard Bank what kind of security procedures they have in place relative to internet security.

Mr. Sanville reviewed with the Board members the field activity for the quarter.

(Ms. Baker entered the meeting at this time via the telephone.)

Ms. Baker reviewed the *Fund Performance Review as of 12/31/2012* with the Board members. There was a discussion about the target date funds and the differences between the different funds. There was a discussion if and when the 2050 fund should be added to the fund line-up. Ms. Baker answered the Board's questions relative to target date funds. Ms. Baker indicated T. Rowe Price would not be closing the 2010 target fund in the near future.

(Ms. Baker left the meeting at this time.)

On motion by Mr. Briggs, seconded by Ms. Duffy, the Board voted unanimously to add the T. Rowe Price 2050 Target Date Fund to the 457 Deferred Compensation Plan line-up as soon as feasible.

Mr. Kroner indicated they would need at least 60 days to prepare to add this fund, so May 1st might be a potential date.

Ms. Pearce indicated there has been a reduction to the fee structure for the participants of the 457 Deferred Compensation Plan which has gone down from 12 basis points to 10 basis points. Ms. Pearce indicated she would like to discuss with Mr. Kroner other potential populations that would like to have a Deferred Compensation Plan.

In response to Mr. Johannesen's inquiry Mr. Kroner indicated he will show a comparison of the T. Rowe Price target date funds to the top three target date funds.

Mr. Briggs and Mr. Gaffney indicated they were still pursuing auto enrollment with the Union. The Board discussed how the auto enrollment might work, the time period for opting out, and what the default fund might be.

Mr. Kroner reviewed with the Board members the 457 Focus newsletter and the possible IRS changes to the 457 Roth feature. Mr. Kroner indicated if the Board members wanted to receive this newsletter in the future he could provide it to them. In response to Mr. Dumas' question Mr. Kroner indicated why the withdrawal form was not present on the website under the forms section. Mr. Kroner indicated members of the SDIA plan had access to their information on the website via a link. Mr. Kroner indicated the website is compatible for visually impaired members.

(A recess was taken from 11:29 a.m. to 11:44 a.m.)

(Mr. Kroner, Mr. Sanville, Ms. Green and Mr. Considine left the meeting at this time.)

ITEM 3: Discuss/Act on disability retirement recommendations for:

- **Suzanne Frizzell** **New**
- **Lourdes G. Rentas** **New**
- **Tammy Griggs** **One-Year Review**

It was indicated that the Retirement Division would present an overview of the disability process at the next in-house meeting.

On motion by Ms. Pearce, seconded by Mr. Dumas, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Suzanne Frizzell, with no review.

On motion by Ms. Duffy, seconded by Mr. Reardon, the Board voted unanimously to enter Executive Session at 11:47 a.m. pursuant to Title 1, § 313 for the purpose of discussing personnel issues.

(The Board exited Executive Session at 11:55 a.m.)

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to accept the recommendation of the MRB to allow the disability retirement for Lourdes G. Rentas, with a one-year review.

On motion by Ms. Duffy, seconded by Mr. Reardon, the Board voted unanimously to enter Executive Session at 11:56 a.m. pursuant to Title 1, § 313 for the purpose of discussing personnel issues.

(The Board exited Executive Session at 12:02 p.m.)

On motion by Ms. Pearce, seconded by Mr. Briggs, the Board voted unanimously to recommend that the MRB obtain more information from the medical provider or a different provider for Tammy Griggs.

(A recess was taken from 12:10 p.m. to 12:12 p.m.)

It was the consensus of the Board to take the agenda items out of order.

ITEM 4: Update on the following:

- **2013 Legislative activity**

Ms. Pearce provided the Board members a rundown of items in this legislative session, including a discussion concerning the amortization schedule. Ms. Pearce indicated the VSEA retired association was requesting a change to the one-time option for enrollment in the Delta Dental plan. Ms. Pearce indicated more research would be conducted concerning this change. Ms. Lanphear reviewed with the Board members the proposed amendments for the 2013 legislative session. Ms. Lanphear responded to the questions posed by the Board members. Ms. Lanphear indicated the changes were to clarify the language or to delete items that were obsolete.

The Board discussed Bill H.247 (An act relating to requiring that a state employee's pension be based upon an average of his or her last ten years of salary). Ms. Pearce indicated she will keep the Board updated if this Bill proceeds anywhere. Mr. Gaffney indicated it must be a fair and equitable system that provides a modest benefit. Ms. Pearce indicated she will write up a statement that is consistent with the Board's sentiment and review it with Mr. Gaffney.

(Ms. Duffy left the meeting during this item.)

Mr. Gaffney indicated the consensus of the Board was that they were satisfied with the changes as outlined by Ms. Lanphear.

ITEM 5: Discuss/Act on Forfeiture Legislative Language

(Mr. Isabelle entered the meeting at this time.)

Ms. Pearce provided the Board members information on the pension forfeiture legislation. Mr. Isabelle reviewed with the Board members Draft #2 of Bill H.41 dated February 6, 2013. Mr. Isabelle responded to the Board member's inquiries. Ms. Lanphear reviewed with the Board members the pension forfeiture examples. The Board discussed the criminal and civil court proceedings relative to pension forfeiture. There was a discussion concerning what crimes are covered under this bill. Ms. Pearce indicated what motion the VSTRS and VMERS Board members made relative to the forfeiture legislative language.

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to move to approve the concept of the pension forfeiture and support Draft #2 of Bill H.41 dated 2/6/2013 and this is subject to further review and Senate comment. The Board reserves the right to further comment on any revisions.

Ms. Pearce indicated since all three Boards approve the pension forfeiture she will prepare a statement for the press.

(Ms. Pearce and Mr. Isabelle left the meeting at this time.)

ITEM 6: Budget Presentation by James Reardon

Mr. Reardon reviewed with the Board members the documents he handed out which included *Retirement Systems: Funding Update; Draft of Fiscal Year 2014 Budget for State Retirement System; and 14 Estimated Retirement Contribution Rates.*

(Mr. Hango left the meeting during this agenda item.)

Mr. Reardon answered the questions posed by the Board members. Mr. Gaffney thanked Mr. Reardon for his presentation and indicated it was very helpful.

ITEM 7: Any other business to come before the Board

Mr. Briggs reviewed the letter he provided to the Board members concerning his desire to attend the 2013 NCPERS annual conference. He indicated he is in the process of trying to obtain a scholarship. He indicated he has reviewed this with Jaye Johnson from the Attorney General's Office. He indicated he was asked to moderate one of the forums. Mr. Briggs provided the Board members with a list of the education highlights from the conference.

On motion by Mr. Reardon, seconded by Mr. White, the Board voted unanimously to permit Jeff Briggs to attend the NCPERS conference to be held in May 2013 and to authorize up to \$3,500.00 be dedicated to this conference less any amount received from a scholarship.

Mr. Briggs provided the Board members information about the secure choice pension proposal that the union is introducing. Mr. Briggs indicated he just wanted to keep the Board apprised of what is occurring.

ITEM 8: Adjournment

On motion by Mr. Dumas, seconded by Mr. Johannesen, the Board unanimously voted to adjourn at 2.08 p.m.

Next Meeting Date:

The next scheduled VSERS meeting is a conference call meeting on Thursday, March 14, 2013 at 9:00 a.m.

Respectfully submitted,

Nancy Dimick
Secretary to the Board